

# OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

## Country Allocation of the Tariff-Rate Quota for Certain Imported Sugars, Syrups, and Molasses

AGENCY: Office of the United States  
Trade Representative.

ACTION: Notice.

**SUMMARY:** The Office of the United States Trade Representative (USTR) is providing notice of the country-by-country allocations of the tariff-rate quota for certain imported sugars, syrups, and molasses established for the period January 1, 1995, through September 30, 1995. The new allocations replace the allocations previously made for the period of August 1, 1994, through September 30, 1995.

**EFFECTIVE DATE:** January 1, 1995.

**ADDRESSES:** Inquiries may be mailed or delivered to Tom Hushek, Senior Economist, Office of Agricultural Affairs (Room 421), or to Daniel Brinza, Senior Advisor and Special Counsel for Natural Resources, Office of the General Counsel (Room 223); Office of the United States Trade Representative, 600 Seventeenth Street, Washington, DC 20506.

**FOR FURTHER INFORMATION CONTACT:** Tom Hushek, Office of Agricultural Affairs, 202-395-6127, or Daniel Brinza, Office of the General Counsel, 202-395-7305.

**SUPPLEMENTARY INFORMATION:** Presidential Proclamation No. 6763 of December 23, 1994 established a tariff-rate quota for certain sugars, syrups, and molasses effective January 1, 1995, to implement the Uruguay Round Agreements approved by the Congress in the Uruguay Round Agreements Act (URAA) (P.L. 103-465). This tariff-rate quota replaced the tariff-rate quota that had been in effect previously. Presidential Proclamation No. 6763 also provided an additional amount under the tariff-rate quota for the period January 1 through September 30, 1995, of 8,000 metric tons, raw value, of refined sugars originating in Canada.

Presidential Proclamation No. 6763 also delegated to the United States Trade Representative (USTR) the President's authority under section 404(d)(3) of the URAA (19 U.S.C. 3601) to allocate the in-quota quantity of a tariff-rate quota for any agricultural product among supplying countries or customs areas and to modify any

allocation as the President determines appropriate.

Since the tariff-rate quota established by Presidential Proclamation No. 6763 replaced the previous tariff-rate quota, USTR is providing notice of the allocation of the new tariff-rate quota for the quota period January 1, 1995, through September 30, 1995.

## Notice

The in-quota quantity of the tariff-rate quota for sugars, syrups and molasses entered under subheading 1701.11.10, 1701.12.10, 1701.91.10, 1701.99.10, 1702.90.10 and 2106.90.44 for the period of January 1 through September 30, 1995, is allocated to each of the following countries and customs areas in an amount equal to the remaining quantity available, if any, from the allocation for that country or area for the quota period that began October 1, 1992, plus the remaining quantity available, if any, from its allocation for the quota period which began on August 1, 1994:

Argentina, Australia, Barbados, Belize, Bolivia, Brazil, Columbia, Congo, Costa Rica, Cote d'Ivoire, Dominican Republic, Ecuador, El Salvador, Fiji, Gabon, Guatemala, Guyana, Haiti, Honduras, India, Jamaica, Madagascar, Malawi, Mauritius, Mexico, Mozambique, Nicaragua, Panama, Papua New Guinea, Paraguay, Peru, Philippines, St. Kitts and Nevis, South Africa, Swaziland, Taiwan, Thailand, Trinidad and Tobago, Uruguay, and Zimbabwe.

The allocations for the quota period that began October 1, 1992, were announced by USTR on August 27, 1992, and adjusted by USTR as announced on July 1, 1993. The allocations for the quota period which began on August 1, 1994, were announced by USTR on August 11, 1994.

Signed at Washington, DC, on March 24, 1995.

**Michael Kantor,**

*United States Trade Representative.*

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# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-35556; File No. SR-CHX-94-22]

## Self-Regulatory Organizations; Chicago Stock Exchange, Incorporated; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 3 to Proposed Rule Change Relating to Exclusive Issues

March 31, 1995.

## I. Introduction

On November 10, 1994, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to impose additional requirements and prohibitions on specialists, and others associated with specialists units, registered in exclusive issues. On January 4, and 9, 1995, the Exchange submitted, respectively, Amendments Nos. 1 and 2 to the proposed rule change.<sup>3</sup>

The proposed rule change was published for comment in Securities Exchange Act Release No. 35233 (Jan. 18, 1995), 60 FR 4651 (Jan. 24, 1995). No comments were received on the proposal. On March 29, 1995, the Exchange submitted to the Commission Amendment No. 3 to the proposed rule change.<sup>4</sup> This order approves the proposed rule change, including Amendment No. 3, on an accelerated basis.

## II. Description of the Proposal

Currently, the Exchange Rules impose only a general prohibition on specialists, who are prohibited from effecting purchases or sales of any security in which the specialist is registered, unless such dealings are reasonably necessary to permit such specialist to maintain a fair and orderly market.<sup>5</sup> The Exchange proposes a new rule, Article XXX, Rule 23, to impose additional requirements and

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).

<sup>2</sup> 17 CFR 240.19b-4 (1994).

<sup>3</sup> See letters from David Rusoff, Foley & Lardner, to Amy Bilbija, SEC, dated December 29, 1994; and to Glen Barrentine, SEC, dated January 5, 1995. Amendment Nos. 1 and 2 made non-substantive changes to the proposal.

<sup>4</sup> See letter from David Rusoff, Foley & Lardner, to Glen Barrentine, SEC, dated March 28, 1995. See *infra* note 6 for a description of Amendment No. 3.

<sup>5</sup> See *Chicago Stock Exchange Guide*, Article XXX, Rule 9, (CCH) ¶ 1929.

prohibitions on specialists, and certain others, where specialists are registered in exclusive issues.<sup>6</sup> Specifically, the proposed rule prohibits specialists, co-specialists, or other associated persons, officer, directors, partners, or employees of specialist units registered in an exclusive issue from engaging in any business transaction with the issuer of the exclusive issue.<sup>7</sup>

The proposed rule also prohibits certain specific dealings by specialists in exclusive issues without the prior approval of the floor officials. For example, a purchase at a price above the last sale in the same session or a proposed transaction involving a price movement of 1/2 point or more are not to be effected except with the prior approval of two floor officials.

Moreover, the proposed rules makes the "equalizing" exemption in paragraph (e)(5) of SEC Rule 10a-1 unavailable for specialists and market makers when selling short an exclusive issue.<sup>8</sup>

Finally, the Exchange will provide specialists who are registered in issues that are not traded on the New York or American Stock Exchanges or Nasdaq/NMS with a statistical report on a monthly basis containing data for trade

and share volume of each issue. The specialists, therefore, will be able to determine whether additional requirements and prohibitions of Rule 23 have been triggered.

### III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and rules and regulations thereunder applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).<sup>9</sup> The Commission believes the proposal is consistent with the Section 6(b)(5) requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public interest.

The Commission believes that the rule change will benefit investors by eliminating a potential conflict of interest between specialists registered in exclusive issues and issuers of such securities. Because business transactions between specialists and issuers may exert an improper influence over specialists, the proposed rule explicitly prohibits these types of transactions as to specialists registered in exclusive issues. The Commission believes that the proposed rule would be in the interest of the investing public because it sets a standard higher than the Exchange Rules currently provide for specialists, and others associated with specialist units, registered in exclusive issues.<sup>10</sup>

At the present time, the Commission believes that the limitation of the proposed rule's prohibition to exclusive issues is appropriate. Exclusive issues, as defined by the proposed rule, would exclude only those issues that are traded on the New York Stock Exchange, Inc. ("NYSE"), the American Stock Exchange, Inc. ("Amex"), or Nasdaq/NMS, or where the Exchange is making a de minimis market for the security. Where the Exchange is the primary market for an issue, the Exchange specialists would have more of an opportunity to manipulate the market for the security and abuse the specialist position. Such a situation is less likely

to occur in an issue that is also trading on the NYSE, Amex, or Nasdaq/NMS, or where the Exchange specialist is making a de minimis market for a security.<sup>11</sup>

Moreover, the Commission finds good cause for approving Amendment No. 3 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof. The Exchange's original proposal was published in the **Federal Register** for the full statutory period and no comments were received.<sup>12</sup> Amendment No. 3 alters the definition of an exclusive issue. Under the amended definition, the Exchange must have executed 15% or more of the volume in a particular issue during the three previous months for a security to qualify as an exclusive issue rather than 25% or more of the transactions as originally proposed. The Commission believes that a threshold based upon the volume of shares executed rather than upon the number of transactions is unlikely to alter the number of specialists affected by the proposed rule. Moreover, to the extent a threshold based upon volume would have such an effect, the Commission believes that the lower numerical percentage is likely to provide a sufficient cushion to offset any decrease in the number of specialists that otherwise would be affected by the proposed rule.

### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 3. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. § 552, will be

<sup>6</sup> An "exclusive issue" is defined in the proposed rule as the stock of any company traded on the Exchange not otherwise traded on the New York or American Stock Exchanges or Nasdaq/NMS, and, where there exists another market for such issue the Exchange has executed 15% or more of the volume in the issue during the three previous months. Amendment No. 3 amended the definition of "exclusive issue," to include issues where the Exchange has executed 15% or more of the volume in the issue during the three previous months rather than 25% or more of the transactions in the issue. In Amendment No. 3, the Exchange noted that, currently, 14 issues that are not traded on the New York or American Stock Exchanges or Nasdaq/NMS are traded on the Exchange and assigned to specialists. Of these 14 issues, the Exchange trades more than 25% of the volume of 7 issues and less than 4% in 7 issues. See letter from David Rusoff, Foley & Lardner, to Glen Barrentine, SEC, dated March 28, 1995.

<sup>7</sup> The term "business transaction" is intended to be interpreted broadly to include: loans, purchase of assets from the issuer, and acquisition of any beneficial ownership of shares of such issuer.

<sup>8</sup> 17 CFR 240.10a-1(e)(5). Rule 10a-1 generally prohibits persons from effecting a short sale or a registered security (a) below the price of the last sale, or (b) at such price if it is lower than the last sale at a different price. The exception provided for in paragraph (e)(5) permits registered specialists or registered exchange market maker (or a third market maker for its own account over-the-counter) to effect, for their own account, a sale (a) at a price equal to or above the last sale, or (b) at a price equal to the most recent offer communicated for the security by such registered person if such offer, when communicated, was equal to or above the last sale. In addition, the Rule expressly provides that an exchange may prohibit its registered specialists and market makers from availing themselves of the exemption if the exchange determines that such action is necessary or appropriate in its market, in the public interest, or for the protection of investors.

<sup>9</sup> 15 U.S.C. 78f(b) (1988).

<sup>10</sup> The Commission's review of the rules of the regional exchanges indicates that only the Boston Stock Exchange, Inc. ("BSE") has a similar business transaction prohibition on equity specialists. See *Boston Stock Exchange Guide*, Chapter XV, Section 11, (CCH) ¶ 2149. The Rules of the Philadelphia Stock Exchange, Inc. ("Phlx") prohibit only option specialists from conducting business transactions with an issuer of a security underlying an option in which the specialist is registered. See *Philadelphia Stock Exchange Guide*, rule 1023(a), (CCH) ¶ 3023.

<sup>11</sup> The Commission, however, does not dismiss the possibility that there may arise a situation in the future where it would be appropriate to extend the prohibition of the proposed rule to all specialists regardless of the issues in which they are registered. Although the 15% threshold provides a benchmark for determining when the Exchange is a primary market for a security, it may become appropriate at some point to impose the prohibition on all specialists because of the difficulties with monitoring exclusive issues through the use of historical data and the potential manipulating the volume of trading to avoid the prohibition.

<sup>12</sup> See Securities Exchange Act Release No. 35233 (Jan. 18, 1995), 60 FR 4651 (Jan. 24, 1995).

available for inspection and copying at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CHX-94-22 and should be submitted by April 27, 1995.

## Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>13</sup> that the proposed rule change (SR-CHX-94-22) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Release No. 34-35554; File No. SR-CHX-94-26]

## Self-Regulatory Organizations; The Chicago Stock Exchange, Incorporated; Order Approving Proposed Rule Change Relating to Implementation of a Three-Day Settlement Standard

March 31, 1995.

On November 30, 1994, the Chicago Stock Exchange, Incorporated ("CHX") filed a proposed rule change (File No. SR-CHX-94-26) with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> On December 14, 1994, CHX filed an amendment to the proposed rule change.<sup>2</sup> Notice of the proposal was published in the **Federal Register** on January 4, 1995, to solicit comments from interested persons.<sup>3</sup> The Commission received one written comment.<sup>4</sup> As discussed below, this order approves the proposed rule change.

## I. Description

In October 1993, the Commission adopted Rule 15c6-1 under the Act

which will become effective June 7, 1995.<sup>5</sup> The rule establishes three business days after the trade date ("T+3"), instead of five business days ("T+5"), as the standard settlement cycle for most securities transactions. Several of the CHX's rules are interrelated with settlement timeframes. The purpose of the proposed rule change is to amend CHX's rules consistent with a T+3 settlement standard for securities transactions.

Article XX, Rule 9 will define regular way transactions as requiring delivery on the third business day after the trade date. Seller's option trades will settle not less than four business days nor more than sixty days following the day of the contract. Trades made for "next day" may include delivery on the first or second business day following the day of the contract. The proposed rule change also will eliminate references to the fourth and fifth full business day preceding the final day for subscription contained in Rule 9.

Article XXVII, Rule 1 will provide that stock transactions shall be ex-dividend or ex-rights two business days preceding the record date. With respect to record dates on other than a business day, stock transactions will be ex-dividend or ex-rights three business days preceding the record date.

Article XXVII, Rule 2 will require stock transactions to be ex-warrant on the second business day preceding the date of expiration of the warrants. When warrant expiration occurs on other than a business day, the ex-warrant period will begin on the third business day preceding the expiration date.

Article XXX, Rule 15 will require all claims involving erroneous comparisons to be made within two business days of the original trade date. Claims which concern the omission of a report will need to be made within two business days of the date the order should have been executed. Claims relative to a lack of comparison of a reported transaction will need to be made within two business days of the original trade.

CHX has requested that the proposed rule change become effective on the same date as Rule 15c6-1. Rule 15c6-1 is scheduled to become effective on June 7, 1995. The transition from T+5 settlement to T+3 settlement will occur over a four day period.<sup>6</sup>

<sup>5</sup> Securities Exchange Act Release Nos. 33023 (October 6, 1993), 58 FR 52891 (adopting Rule 15c6-1) and 34952 (November 9, 1994), 59 FR 15917 (changing effective date from June 1, 1995, to June 7, 1995).

<sup>6</sup> Friday, June 2, will be the last trading day with five business day settlement. Monday, June 5, and Tuesday, June 6, will be trading days with four business day settlement. Wednesday, June 7, will be

## II. Written Comment

The Commission received one comment letter from Thomson Trading Services, Inc. ("Thomson") suggesting that additional regulatory changes may be necessary to implement T+3 settlement.<sup>7</sup> Thomson believes that the CHX should amend Article XV, Rule 5 which requires the use of the facilities of a securities depository for confirmation and acknowledgement of all depository-eligible transactions.

## III. Discussion

The Commission believes the proposal is consistent with the requirements of Section 6 of the Act.<sup>8</sup> Specifically, Section 6(b)(5) states that the rules of the exchange must be designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, and processing information. The CHX rules and other self-regulatory organizations' rules currently establish the standard time frame for settlement of securities transactions. On June 7, 1995, the new settlement cycle of T+3 will be established, as mandated by the Commission's Rule 15c6-1. As a result, the CHX's current rule establishing a T+5 settlement cycle will be inconsistent with the Commission rules. This proposal will amend the CHX's rules to harmonize them with a T+3 settlement cycle.

In addition, the Commission believes that the proposed rule change is consistent with Section 6(b)(5) of the Act in that it protects investors and the public interest by reducing the risk to clearing corporations, their members, and public investors which is inherent in settling securities transactions. The reduction of the time period for settlement of most securities transactions will correspondingly decrease the number of unsettled trades in the clearance and settlement system at any given time. Thus fewer unsettled trades will be subject to credit and market risk, and there will be less time between trade execution and settlement for the value of those trades to deteriorate.<sup>9</sup>

the first trading day with three business day settlement. As a result, trades from June 2 and June 5 will settle on Friday, June 9. Trades from June 6 and June 7 will settle on Monday, June 12.

<sup>7</sup> Letter from P. Howard Edelstein, President, Electronic Settlements Group, Thomson Trading Services, Inc., to Jonathan G. Katz, Secretary, Commission (January 25, 1995).

<sup>8</sup> 15 U.S.C. 78f (1988).

<sup>9</sup> The adopting release stated, "the value of securities positions can change suddenly causing a market participant to default on unsettled positions. Because the markets are interwoven through common members, default at one clearing

Continued

<sup>13</sup> 15 U.S.C. 78s(b)(2) (1988).

<sup>14</sup> 17 CFR 200.30-3(a)(12) (1994).

<sup>1</sup> 15 U.S.C. 78s(b) (1988).

<sup>2</sup> Letter From David Rusoff, Foley & Lardner, to Christine Sibille, Senior Attorney, Office of Securities Processing, Division of Market Regulation, Commission (December 16, 1994).

<sup>3</sup> Securities Exchange Act Release No. 35155 (December 27, 1994), 60 FR 517.

<sup>4</sup> Letter from P. Howard Edelstein, President, Electronic Settlements Group, Thomson Trading Services, Inc., to Jonathan G. Katz, Secretary, Commission (January 25, 1995).